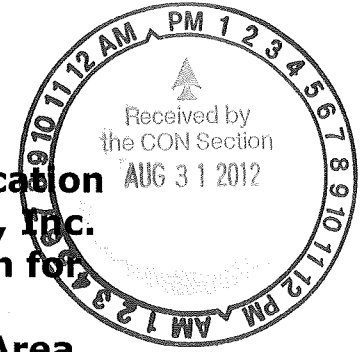


**Comments in Opposition from
HKZ Group, LLC
Regarding a Certificate of Need Application
Submitted by Well Care Home Health, Inc.
in Response to a Need Determination for
Two Home Health Agencies
in the Mecklenburg County Service Area
Submitted July 16, 2012 for August 1, 2012 Review Cycle**



I. Introduction

In accordance with N.C.G.S. Section 131E-185(a1)(1), HKZ Group, LLC submits the following comments regarding a Certificate of Need Application submitted by Well Care Home Health, Inc. and Well Care DME, LLC in response to a need determination for two Home Health Agencies in the Mecklenburg County Service Area for the August 1, 2012 review cycle.

The following ten CON applications were submitted in response to a need determination for two home health agencies in the Mecklenburg County Service Area in the *2012 State Medical Facilities Plan (2012 SMFP)*:

- F-10005-12: HKZ Group, LLC
- F-10001-12: Vizion One, Inc.
- F-10003-12: Maxim Healthcare Services, Inc.
- F-10004-12: Carolinas Medical Center at Home, LLC d/b/a Healthy @ Home – Carolinas Medical Center
- F-10006-12: Roberson Herring Enterprises, LLC d/b/a AssistedCare of the Carolinas
- F-10007-12: Well Care Home Health, Inc. and Well Care DME, LLC
- F-10008-12: Emerald Care, Inc. d/b/a Emerald Care, an Amedisys Company
- F-10010-12: Continuum II Home Care and Hospice Inc. d/b/a Continuum Home Care of Charlotte
- F-10011-12: United Home Care, Inc. d/b/a UniHealth Home Health Health, Inc. d/b/a UniHealth Home Health
- F-10012-12: Ogadinma Akagha d/b/a J and D Healthcare Services.¹

II. Comparative Analysis

The Comparative Analysis included at the end of these comments shows that the CON Application submitted by **HKZ Group** is the most effective alternative for one of the two Medicare-certified home health agencies in Mecklenburg County.

¹ Legal applicant is Ogadinma Akagha. Parent company is J and D Healthcare Services. Name of proposed agency is J and D Healthcare Services. Employer Identification Number is issued to J and D Healthcare Services, LLC.

III. CON Application of Well Care Home Health, Inc. and Well Care DME, LLC

Well Care Home Health, Inc. and Well Care DME, LLC propose to develop a Medicare-certified home health agency in the north-central part of Mecklenburg County in zip code 28269, called Well Care Home Health of Mecklenburg (Well Care). Well Care will provide comprehensive home health services, to include pediatric nursing and psychiatric nursing.²

On page 7, Well Care states that it “is intent on becoming a state-wide provider, predominately in rural and underserved areas. Mecklenburg County is not a rural and underserved area of North Carolina.

IV. CON Review Criteria

The following comments are submitted based upon the CON Review Criteria found at G.S.131E-183. While some issues impact multiple Criteria, they are discussed under the most relevant review Criteria and referenced in others to which they apply.

G.S. 131E-183 (1)

The proposed project shall be consistent with applicable policies and need determinations in the State Medical Facilities Plan, the need determination of which constitutes a determinative limitation on the provision of any health service, health service facility, health service facility beds, dialysis stations, operating rooms, or home health offices that may be approved.

There is 1 *State Medical Facilities Plan (SMFP)* Policy applicable to the review of competing Mecklenburg County Home Health Agency CON Applications:

- Policy GEN-3: Basic Principles.

As will be discussed in the context of CON Review Criteria (3), (4), (5), (6), (7), (8), and (18a), Well Care does not demonstrate:

- A need for the proposed project;
- That the proposed project will promote equitable access; and
- That the proposed project will maximize health care value for resources expended.

As a result, the Well Care CON Application does not conform to Policy GEN-3 and CON Review Criterion (1).

G.S. 131E-183 (3)

The applicant shall identify the population to be served by the proposed project, and shall demonstrate the need that this population has for the services proposed, and the extent to which all residents of the area, and, in particular, low income persons, racial and ethnic minorities,

² CON Application F-10007-12, page 19.

women, handicapped persons, the elderly, and other underserved groups are likely to have access to the services proposed.

A. Need Determination in Mecklenburg County for Two Medicare-certified Home Health Agency Providing Comprehensive Services

Well Care wishes to distinguish itself from other applicants on the basis that it proposes to provide psychiatric home health services. A certificate of need is not required to provide psychiatric in-home services. Those services are provided by a Medicaid-certified agency called a Critical Access Behavioral Health Agency. Well Care can pursue independent certification to provide psychiatric services, and allow another CON applicant to serve patients in need of home health care services in Mecklenburg County.

B. Well Care does not Document a Need in Mecklenburg County for Psychiatric Home Health Services

Well Care estimates that **2.6%** (467/18,716) of Mecklenburg's total home health patients have a need for psychiatric home health nursing.³ There is no documentation provided to verify independently that estimate.

Well Care also does not include any independently verifiable information to document what percentage, if any, of Mecklenburg County's home health patient deficit of 651 in 2013 have a need for psychiatric home health services. **It is reasonable to assume that the actual percentage of the deficit of 651 is less than 2.6%.**

If one were to assume that 2.6% of the home health patient deficit of 651 has a need for psychiatric home health nursing, that need would represent **17** patients (651 x 2.6%).

Well Care does not provide any historical data from its sister agency in New Hanover County, showing the number of patients to whom it provided psychiatric home health services and the number of visits to those patients.

Lastly, Well Care does not present any information about existing Medicare-certified home health agencies that provide psychiatric home health services, and Critical Access Behavioral Health Agencies in Mecklenburg County that provide intensive in-home services to residents.

As of July 27, 2012, there are 10 fully certified Critical Access Behavioral Health Agencies (CABHA) in Mecklenburg County providing intensive in-home services to residents.⁴ Well Care fails to document a need in Mecklenburg County for psychiatric home health services.

C. Pediatric Patients in Mecklenburg County are not Underserved

According to the *2012 State Medical Facilities Plan (SMFP)*, the 2010 State Home Health Use Rate for the Under Age 18 was 2.91. Well Care calculates Mecklenburg County's Home Health Use Rate for that age group of 3.53 in 2010. Mecklenburg County's use rate far exceeds the

³ CON Application F-10007-12, page 41.

⁴ http://www.ncdhhs.gov/mhddsas/providers/cabha/cabha_certificationlist_07-27-12.pdf

state use rate for that age group, which shows that patients under age 18 are not underserved by Mecklenburg County home health agencies.

According to the *Proposed 2013 SMFP*, the 2011 State Home Health Use Rate for the Under Age 18 was 2.76. Well Care calculates Mecklenburg County's Home Health Use Rate for that age group of 3.39 in 2011. Even with a decline, Mecklenburg County's use rate still far exceeds the state use rate for that age group, which shows that patients under age 18 are not underserved by Mecklenburg County home health agencies.

In 2011, a total of 797 Mecklenburg County home health patients under age 18 were served by four existing Medicare-certified agencies in Mecklenburg and several other Medicare-certified agencies in other counties. A majority of patients in that age group were served by Healthy @ Home – CMC (544 patients) and Interim Healthcare of the Triad (214 patients).

Of the 6,300 home health patients under age 18 served in 2011, Mecklenburg County residents accounted for 12.7%, which is the largest percentage of patients in that age group served by a county in North Carolina.

D. No Ramp Up Period Allowance in Project Year 1

Well Care projects to provide home health services to 378 patients in its first year of operation. Applicants, like Well Care, that do not propose a ramp up period in Project Year 1 assume that from day one, staff will be working at maximum capacity. That is an unrealistic assumption.

Every new business requires some level of start up. Well Care's new business most certainly requires a level of start up because of Well Care's lack of experience operating a Medicare-certified home health agency in Mecklenburg County, and its lack of experience developing a new Medicare-certified agency. As discussed in the context of CON Review Criterion (4), Well Care's experience is limited to its acquisition of and operating existing certified agencies in New Hanover and Wake counties.

For those reasons, Well Care fails to demonstrate conformity with CON Review Criteria (3).

G.S. 131E-183 (4)

Where alternative methods of meeting the needs for the proposed project exist, the applicant shall demonstrate that the least costly or most effective alternative has been proposed.

A. Focus on Psychiatric Home Health Services does not Lead to a Low Cost Model

1. Psychiatric Home Health Care – Medicare Requirements

Psychiatric home health care is a clinical specialty of home health services in which psychiatric nurses, social workers, home health aides, and occupational therapists visit the patient with a primary psychiatric diagnosis in the patient's own home.

Medicare requires that psychiatric home health recipients have a pre-existing psychiatric diagnosis in order to receive financial reimbursement for services rendered. CMS excludes coverage for the delivery of psychiatric home health services for individuals who are non-compliant, forgetful or difficult to manage.

Patients who receive psychiatric home health services must receive active treatment from a qualified physician who identifies the patient with acute psychiatric symptoms. The patient must be under the care and direction of a physician when he/she receives home health services. Patients who take psychoactive drugs for non-psychiatric diagnoses or who have stabilized psychiatric symptoms do not qualify for Medicare home health services reimbursement.

The patient is not required to have a medical diagnosis to be eligible for Medicare reimbursement for psychiatric home health services; however, he/she must be home-bound to meet the requirements of CMS.

2. Psychiatric Home Health Care – Specially Trained RNs Required

Psychiatric home health services may include skilled assessment, evaluation, psychotherapy, teaching, and counseling by a qualified psychiatric nursing professional, and the services must be under the direction and in collaboration with a physician. Nurses must have specialized psychiatric nurse training and experience that extends beyond standard registered nursing requirements. The nurse and physician must work together to create an effective care plan based on the patient's condition.

On pages 256-264 of Exhibit 19, Well Care includes a job description for its Psychiatric Home Health Nurse. It does not include provision by Well Care of a significant level of home health psychiatric care training for its nursing staff.

The CMS Publication 100-2, Chapter 7, §40.1.2.14, states, "Psychiatrically trained nurses are nurses who have special training and/or experience beyond the standard curriculum required for a registered nurse." Medicare Administrative Contractors (MACs) can establish the special training and experience required. A home health agency should contact its MAC and look at the MAC website for any special qualifications needed.⁵

3. Psychiatric Home Health Care – Time Intensive and Complex Patients

CMS has recognized psychiatric home care as a reimbursable service since 1979, but nationwide, proportionately fewer home health agencies actually provide this service. The exact number of agencies that include psychiatric home care is unknown. There has been a reluctance of agencies to implement psychiatric programs, and there are many reasons for these decisions.⁶

First, the skills of a psychiatric nurse are required and this specialist is usually more difficult to find. Second, the psychiatric patient is frequently more disorganized and needy than other

⁵ Select Data University, Psychiatric Nursing in Home Health, article posted on Wednesday, May 25, 2011 at 3:51 pm. Article available on line at: <http://www.selectdata.com/psychiatric-nursing-in-home-health>

⁶ Id.

patients causing the case management responsibilities to become time consuming and complex. Third, the psychiatric patient is frequently homebound questionable.⁷

B. No Experience Developing a New Medicare-certified Agency

Well Care owns two certified home health agencies in North Carolina; both as a result of acquisition of existing agencies. Well Care acquired its New Hanover County agency in 2000. The New Hanover County agency had a 45.8% market share of New Hanover County when it was acquired by Well Care in 2000. Well Care acquired At Home Quality Care in Raleigh in March 2012. At Home Quality Care is a mid-sized agency in Wake County.

Well Care has no experience developing a new agency from a certificate of need through the Medicare certification process.

C. No Experience Operating Multiple Agencies

Mecklenburg County is not contiguous to either New Hanover or Wake County. Both counties are more than two hours away from the proposed home health agency in Mecklenburg County. The distance among three locations will make it more difficult to utilize combined services or realize any economies of scale.

Further, Well Care is not tested in its ability to effectively and efficiently manage multiple sites. An addition of multiple sites within a short time-frame has the potential to place at risk any and all of the sites that Well Care manages.

Well Care's Form B does not include any travel expense for management personnel that must travel between the two locations.

D. High Total Capital Expenditure

Well Care proposes the third highest total capital expenditure of all 10 applicants, as shown in the following table.

⁷ Id.

**Mecklenburg County Home Health Applicants
Total Capital Expenditure**

CON Application	Applicant	Project Cost	Total Working Capital	Total Capital Expenditure
F-10004-12	Healthy @ Home - CMC	\$450,000	\$600,000	\$1,050,000
F-10011-12	UniHealth	\$196,196	\$711,168	\$907,364
F-10007-12	Well Care	\$110,000	\$550,000	\$660,000
F-10001-12	Vizion One	\$115,099	\$461,303	\$576,402
F-10006-12	AssistedCare	\$31,874	\$407,187	\$439,061
F-10010-12	Continuum	\$92,270	\$290,391	\$382,661
F-10003-12	Maxim	\$65,000	\$225,000	\$290,000
F-10008-12	Emerald Care - Branch Office - Total	\$111,713	\$166,921	\$278,634
F-10005-12	HKZ Group	\$62,400	\$153,592	\$215,992
F-10012-12	J and D Healthcare	\$6,000	\$50,000	\$56,000

As discussed in the context of CON Review Criterion (5), projections of cost and revenue are not based on reasonable projections and exceed costs and revenue proposed by many of the other applicants.

For those reasons, Well Care fails to demonstrate that it is the least costly or most effective alternative proposed, which demonstrates non-conformity with CON Review Criteria (4).

G.S. 131E-183 (5)

Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

A. Analysis of Financial Projections

Well Care failed to include all necessary capital and operational expenditures and therefore is non-conforming to CON Review Criterion (5). The following table shows items which should have been included in Well Care’s financial projections, in addition to those already discussed, to reflect true expenses necessary for the development of the proposed Mecklenburg County Medicare-certified home health agency.

Financial Projection/Cost	Page Reference	Comment
Expenses for the training of Pediatric and Psychiatric nurses, therapists, home health aides, and social workers		<ul style="list-style-type: none"> Not included in Form B
JCAHO accreditation expenses		<ul style="list-style-type: none"> No specific expense included in Form B
<p>“Allocation of corporate overhead for administrative and general and indirect expenses for the proposed project are based on sound cost allocation methods.”</p>	Page 4; Form B (pages 109 and 110)	<ul style="list-style-type: none"> Corporate Management Services expense is based on \$12 per visit <ul style="list-style-type: none"> Start up = \$15,764 PY 1 = \$86,460 PY 2 = \$135,216 Corporate Management Services expense includes administrative services, accounting, billing, human resources, accreditation, performance improvement, information systems, electronic medical records software, purchasing support, business development and marketing, dietician, allocated corporate overhead, insurance, data processing,

The items set forth in the previous table demonstrate that Well Care’s financial projections are incomplete and not based upon reasonable projections of the costs for providing Medicare-certified home health services.

B. Financial Statements Omit GAAP-required Disclosures

Well Care includes Financial Statements in Exhibit 28. Financial Statements omit required disclosures by Generally Accepted Accounting Principles (GAAP).

Disclosures are required by GAAP for certain items in a financial statement, such as accounting changes or errors, asset retirement, and insurance contract modifications. Disclosure of those technical items would allow the CON Section to have a clearer picture of the financial health of Well Care.

C. Cost per Visit Exceeds Charges per Visit in Project Years 1 and 2

The following table shows a comparison of the cost per visit and charge per visit in Project Year 1.

**Well Care
Comparison: Cost per Visit and Charge per Visit – PY 1**

Project Year 1	Nursing	PT	ST	OT	MSW	HHA
Proposed Cost per Visit (pages 97 and 121)	\$144.71	\$146.81	\$151.89	\$139.06	\$151.76	\$105.76
Proposed Charge per Visit (page 98)	\$135	\$135	\$145	\$145	\$350	\$70
Cost:Charge Variance	+\$9.71	+\$11.81	+\$6.89	-\$5.94	-\$198.24	+\$35.76

As shown in the previous table, Well Care projects that cost per visit for nursing, PT, ST, and home health aides will exceed the charge per visit in Project Year 1. Well Care projected the highest number of visits for nursing, PT, and home health aide in Project Year 1.

Well Care does not provide its cost per visit for its existing New Hanover County certified agency or for its newly-acquired Wake County certified agency for comparison purposes

The following table shows a comparison of the cost per visit and charge per visit in Project Year 2.

**Well Care
Comparison: Cost per Visit and Charge per Visit – PY 2**

Project Year 2	Nursing	PT	ST	OT	MSW	HHA
Proposed Cost per Visit (pages 97 and 121)	\$135.77	\$140.27	\$141.34	\$137.72	\$168.05	\$97.50
Proposed Charge per Visit (page 98)	\$135	\$135	\$145	\$145	\$350	\$70
Cost:Charge Variance	+\$0.77	+\$5.27	-\$3.66	-\$7.28	-\$181.95	+\$27.50

As shown in the previous table, Well Care projects that cost per visit for nursing, PT, and home health aides will exceed the charge per visit in Project Year 2. Well Care projected the lowest number of visits to duplicated patients who need ST, OT, and MSW services in Project Year 2; while projecting the highest number of visits for nursing, PT, and home health aide in Project Year 2.

Well Care does not provide its cost per visit for its New Hanover County certified agency or its newly-acquired Wake County certified agency.

The following table shows a comparison of the proposed cost per visit of Well Care and **HKZ Group**, respectively, in Project Years 1 and 2.

**Comparison: Well Care and HKZ Group
Cost per Visit – PYs 1 and 2**

Project Year 1	Nursing	PT	ST	OT	MSW	HHA
Well Care Proposed Cost per Visit (pages 97 and 121)	\$135.77	\$140.27	\$141.34	\$137.72	\$168.05	\$97.50
HKZ Proposed Cost per Visit	\$86.71	\$91.60	\$75	\$75	\$75	\$71.87

Source: CON Application F-10005-12, page 99

As shown in the following table, Well Care’s cost per visit in each of the six disciplines far exceeds **HKZ Group’s** cost per visit in Project Years 1 and 2. **HKZ Group’s** proposal is a more cost-effective alternative than Well Care.

D. Largest Gain, Largest Gain per Duplicated Patient, Second Largest Gain per Patient Visit, and Second Largest Gain as a Percentage of Revenue in Project Year 1

The following table shows a comparison of the ten applicants based on each applicant’s gain (loss), gain (loss) per duplicated patient, gain (loss) per patient visit, and gain (loss) as a percentage of revenue in Project Year 1.

Gain (loss) was calculated by subtracting total cost from net revenue in Form B. Gain (loss) per duplicated patient was calculated by dividing gain (loss) by the projected number of duplicated patients from Section IV.2. of each application. Gain (loss) per patient visit was calculated by dividing gain (loss) by the number of patient visits from Section IV.2. of each Application. Gain (loss) as a percentage of revenue was calculated by gain (loss) by net revenue, as shown in the following table.

**Mecklenburg County Home Health Applicants
Gain (Loss), Gain (Loss) per Patient, Gain (Loss) per Visit,
and Gain (Loss) as a Percentage of Revenue – PY 1**

CON Application	Applicant	Gain (Loss)	Gain (Loss) per Duplicated Patient	Gain (Loss) per Patient Visit	Gain (Loss) as Percentage of Revenue
F-10007-12	Well Care	\$87,442	\$110	\$12	7.9%
F-10006-12	AssistedCare	\$71,474	\$104	\$13	8.3%
F-10004-12	Healthy @ Home – CMC – North Zone	\$23,198	\$2	\$1	0.4%
F-10008-12	Emerald Care Branch Office	-\$31,749	-\$96	-\$4	-4.5%
F-10005-12	HKZ Group	-\$39,503	-\$62	-\$6	0.4%
F-10001-12	Vizion One	-\$56,629	-\$66	-\$11	-7.7%
F-10003-12	Maxim	-\$283,748	-\$133	-\$39	-44.6%
F-10010-12	Continuum	-\$306,029	-\$1,471	-\$240	-148.0%
F-10011-12	UniHealth	-\$406,627	-\$1,607	-\$109	-77.1%
F-10012-12	J and D Healthcare	-\$1,467,291	-\$20,100	-\$1,546	-93.2%

As shown in the previous table, Well Care projects the highest gain, highest gain per patient, second highest gain per visit, and second highest gain as a percentage of revenue in Project Year 1.

E. Third Highest Net Revenue per Patient Visit in Project Year 2

The following table shows a comparison of the ten applicants based on each applicant’s net revenue per visit in Project Year 2. Net revenue per patient visit was calculated by dividing projected net revenue from Form B by the projected number of patient visits from Section IV.2. of each Application, as shown in the following table.

**Mecklenburg County Home Health Applicants
Net Revenue per Patient Visit – PY 2**

CON Application	Applicant	Total Patient Visits	Net Revenue	Net Revenue per Patient Visit
F-10012-12	J and D Healthcare	1,482	\$1,664,138	\$1,123
F-10010-12	Continuum	8,556	\$1,610,678	\$188
F-10003-12	Maxim	9,499	\$1,528,574	\$161
F-10007-12	Well Care	11,268	\$1,740,941	\$155
F-10008-12	Emerald Care - Branch Office	12,570	\$1,937,552	\$154
F-10011-12	UniHealth	11,527	\$1,752,640	\$152
F-10006-12	AssistedCare	6,159	\$931,653	\$151
F-10004-12	Healthy @ Home - CMC - North Zone Office	47,780	\$7,008,529	\$147
F-10005-12	HKZ Group	8,578	\$1,224,203	\$143
F-10001-12	Vizion One	8,125	\$1,140,200	\$140

As shown in the previous table, Well Care projects the third highest net revenue per patient visit of the applicants. J and D Healthcare proposes an agency that is not financially viable, and cannot be used for purposes of comparison with other applications.

F. Fourth Highest Ratio of Net Revenue per Visit to Average Total Operating Cost per Visit in Project Year 2

The following table shows a comparison of the ten applicants based on each applicant's ratio of net revenue per visit to average total operating cost per visit in Project Year 2. The ratio in the following table is calculated by dividing the net revenue per visit by the average total operating cost per visit.

**Mecklenburg County Home Health Applicants
Ratio of Net Revenue per Visit to Average Total Operating Cost per Visit - PY 2**

CON Application	Applicant	Total Visits Patients	Net Revenue per Visit	Average Total Operating Cost per Visit	Ratio of Net Revenue to Average Total Operating Cost per Visit
F-10003-12	Maxim	9,499	\$161	\$124	1.30
F-10010-12	Continuum	8,556	\$188	\$152	1.24
F-10008-12	Emerald Care - Branch Office	12,570	\$154	\$132	1.17
F-10007-12	Well Care	11,268	\$155	\$133	1.16
F-10006-12	AssistedCare	6,159	\$151	\$140	1.08
F-10001-12	Vizion One	8,125	\$140	\$131	1.07
F-10004-12	Healthy @ Home - CMC - North Zone Office	47,780	\$147	\$142	1.04
F-10011-12	UniHealth	11,527	\$152	\$148	1.02
F-10005-12	HKZ Group	8,578	\$143	\$140	1.02
F-10012-12	J and D Healthcare	1,482	\$1,123	\$2,103	0.53

As shown in the previous table, Well Care’s ratio is 1.16, which is fourth highest of the 10 applicants.

For those reasons, the Well Care does not demonstrate the immediate and long term financial feasibility of the proposal are based upon reasonable projections of the costs of and charges for providing health services, required by CON Review Criterion (5).

G.S. 131E-183 (6)

The applicant shall demonstrate that the proposed project will not result in unnecessary duplication of existing or approved health service capabilities or facilities.

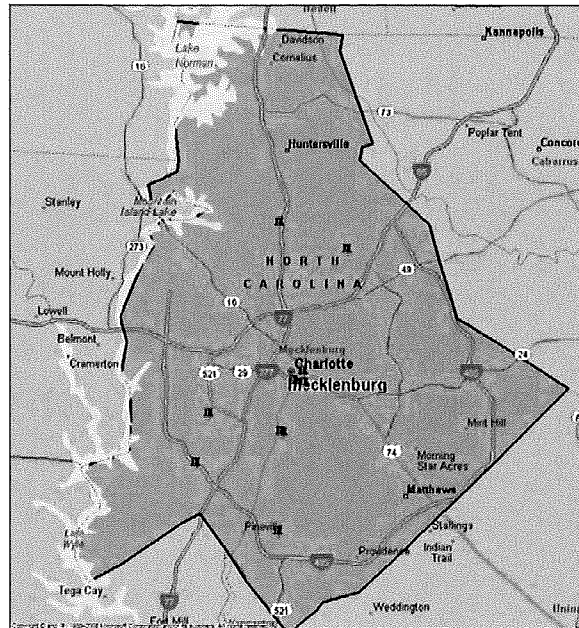
As discussed in the context of CON Review Criteria (3) and (4), Well Care’s focus on pediatric and psychiatric home health care is duplicative of existing health service capabilities in Mecklenburg County.

Additionally, Well Care proposes to locate its agency at 8604 Cliff Cameron Drive, Charlotte, zip code 28269. Gentiva Home Health (HC 0787) is located at 8520 Cliff Cameron Drive, Charlotte, zip code 28269. **According to Mapquest.com, those two locations are 24 seconds and 0.12 miles apart.**⁸ Well Care’s proposed location is duplicative of existing Medicare-certified home health agency capabilities and facilities in Mecklenburg County.

⁸ <http://www.mapquest.com/>

HKZ Group undertook a location analysis in order to determine the most effective location for the proposed Mecklenburg County agency. The following map illustrates locations of existing Medicare-certified home health agency in Mecklenburg County.

Existing Medicare-certified Home Health Agency Location



As shown in the previous map, of the ten existing agencies, four are located in central Charlotte. Four agencies are located in southwestern Mecklenburg County. The other two agencies are located in the north-central part of Mecklenburg County. There is no agency in the eastern/southeastern area of Mecklenburg County near the Town of Matthews. **HKZ Group** proposes to locate its agency in the Town of Matthews.

Well Care has not carried its burden to demonstrate that the proposed project will not result in unnecessary duplication of existing and approved capabilities as required by CON Review Criterion (6).

G.S. 131E-183 (7)

The applicant shall show some evidence of the availability of resources, including health manpower and management personnel, for the provision of the services proposed to be provided.

A. Inadequate Staff for Home Health Psychiatric Care in addition to Full Range of Home Health Services

On page 78, Well Care projects an average of 5.5 RN visits per day, or 1.45 hours per visit which includes travel time and documentation. The average number of RN visits per day is low for the intensity of services required to provide home health psychiatric care in addition to the full range of non-psychiatric home health services.

B. Physical Therapist Salary is Low

The following table shows the annual salary projected by each of the applicants during Project Year 2 for a physical therapist.

**Mecklenburg County Home Health Agency CON Applications
PT Annual Salary – Project Year 2**

CON Application	Applicant	PT Salary
F-10005-12	HKZ Group	\$102,700
F-10008-12	Emerald Care – Branch Office	\$94,585
F-10004-12	Healthy @ Home – CMC – North Zone Office	\$84,445
F-10010-12	Continuum	\$84,144
F-10006-12	AssistedCare	\$83,945
F-10007-12	Well Care	\$83,430
F-10003-12	Maxim	\$80,353
F-10001-12	Vizion One	\$79,310
F-10012-12	J and D Healthcare	\$43,739

As shown in the previous table, Well Care projects the third lowest salary for a physical therapist. As shown in the previous table, Well Care projects the third lowest salary for a physical therapist. It is \$19,720 lower than the highest salary, which was proposed by **HKZ Group**. J and D Healthcare proposes an agency that is not financially viable, and cannot be used for purposes of comparison with other applications.

Salary is a significant contributing factor in recruitment and retention of staff. PT services are critical to the profitability of a Medicare-certified home health agency.

C. Occupational Therapist Salary is Low

The following table shows the annual salary projected by each of the applicants that propose to employ an occupational therapist.

**Mecklenburg County Home Health Applicants
OT Salary – PY 2**

CON Application	Applicant	OT Salary
F-10008-12	Emerald Care - Branch Office	\$83,785
F-10001-12	Vizion One	\$80,718
F-10007-12	AssistedCare	\$79,001
F-10010-12	Continuum	\$78,663
F-10007-12	Well Care	\$77,250
F-10003-12	Maxim	\$73,856
F-10004-12	Healthy @ Home - CMC - North Zone Office	\$72,196
F-10012-12	J and D Healthcare	\$43,722

Well Care projects the third lowest annual salary for an occupational therapist. It is \$6,535 lower than the highest salary, which was proposed by Emerald Care. J and D Healthcare proposes an agency that is not financially viable, and cannot be used for purposes of comparison with other applications.

Salary is a significant contributing factor in recruitment and retention of staff. OT services are important to the profitability of a Medicare-certified home health agency.

For those reasons, the Well Care CON Application does not conform to CON Review Criterion (7).

G.S. 131E-183 (8)

The applicant shall demonstrate that the provider of the proposed services will make available, or otherwise make arrangements for, the provision of the necessary ancillary and support services. The applicant shall also demonstrate that the proposed service will be coordinated with the existing health care system.

A. No Support Letter from an Acute Care Hospital

Well Care does not include a letter of support from any acute care hospital in Mecklenburg County.

Generally, hospitals make 50% of all referrals to certified home health agencies. The CON Criteria and Standards for Home Health Agencies require documentation of attempts made to establish working relationships with the sources of referrals at 10A NCAC 14C .2002 (a)(10). Well Care does not provide the required documentation for Mecklenburg County hospitals.

Additionally, as an existing Medicare-certified agency in New Hanover County, Well Care does not include a letter of support from any acute care hospital in a county served by its New Hanover County agency, documenting their relationship or quality of services provided.

B. No Provider Letters of Intent to Refer Psychiatric Home Health Patients to Well Care

On page 93 of Exhibit 8, Well Care includes one letter from John E. Humphrey, MD, FA, PA, a physician in practice with Eastover Psychological & Psychiatric Group, PA. Dr. Humphrey's letter is a letter of support; it is not a letter stating his intent to refer psychiatric home health patients to Well Care.

Well Care fails to document that it will receive referrals of patients in need of psychiatric home health services, a focus of its CON Application.

For those reasons, Well Care fails to demonstrate coordination with the existing health care system in Mecklenburg County. The Well Care CON Application does not conform to CON Review Criterion (8).

G.S. 131E-183 (18a)

The applicant shall demonstrate the expected effects of the proposed services on competition in the proposed service area, including how any enhanced competition will have a positive impact upon the cost effectiveness, quality, and access to the services proposed; and in the case of applications for services where competition between providers will not have a favorable impact on cost effectiveness, quality, and access to the services proposed, the applicant shall demonstrate that its application is for a service on which competition will not have a favorable impact.

As discussed above, Well Care fails to demonstrate conformity with CON Review Criteria (1), (3), (4), (5), (6), (7), and (8). Consequently, Well Care fails to demonstrate that its CON Application is conforming to CON Review Criterion (18a).

V. North Carolina Criteria and Standards for Home Health Services

10A NCAC 14C .2002(a)(3), (4), (5), and (10)

Projections are based on flawed and undocumented assumptions. Please see discussion in the context of CON Review Criteria (3), (5), and (8).

10A NCAC 14C .2003

Projections are based on flawed and undocumented assumptions. Please see discussion in the context of CON Review Criteria (3), (5), and (7).

10A NCAC 14C .2005(a) and (b)

Projections are based on flawed and unreasonable assumptions. Please see discussion in the context of CON Review Criterion (7).

VI. Conclusion

The Well Care CON Application has not demonstrated conformity with multiple CON Review Criteria and should be denied.

In addition, as reflected in the following Comparative Analysis, the CON Application submitted by **HKZ Group** is a more reasonable alternative and should be approved.

HKZ Group, LLC
Mecklenburg County Medicare-certified Home
Health Agency CON Review

COMPARATIVE ANALYSIS

Pursuant to N.C.G.S. 131E-183(a)(1) and the *2012 State Medical Facilities Plan (2012 SMFP)*, no more than two new home health agencies may be approved for Mecklenburg County in this review. Because each applicant proposes to develop a new home health agency in Mecklenburg County, all ten applicants cannot be approved.

The following comparative analysis of the proposals documents the reasons that **HKZ Group, LLC (HKZ Group)** should be approved for one of the two new home health agencies in Mecklenburg County.

Access by Underserved Groups

The following table compares the percentage of total visits provided to Medicaid recipients in the second year of operation as projected by each applicant in Section VI.12. of the Application.

Percentage of Total Visits to Medicaid Recipients – PY 2

CON Application	Applicant	% of Visits
F-10004-12	Healthy @ Home – CMC North Zone Office	16.2%
F-10005-12	HKZ Group	14.9%
F-10007-12	Well Care	14.48%
F-10001-12	Vizion One	12.92%
F-10011-12	UniHealth	9.2%
F-10003-12	Maxim	8.7%
F-10006-12	AssistedCare	8.2%
F-10010-12	Continuum	8.17%
F-10008-12	Emerald Care – Branch Office	7.4%
F-10012-12	J and D Health Care Services	0.0%

As discussed in **HKZ Group's** Comments in Opposition, Healthy @ Home – CMC projects a higher percentage of total visits to Medicaid recipients in FY 2011 than the 10.9% reported in its 2012 License Renewal Application. There is no explanation provided to justify the difference between actual and projected percentage of total visits to Medicaid recipients. The CON application submitted by Healthy @ Home - CMC is non-conforming with multiple CON Review Criteria. Please see **HKZ Group's** Comments in Opposition to the Healthy @ Home CON application.

As shown in the previous table, **HKZ Group** projects the second highest percentage of total visits provided to Medicaid recipients. The CON application submitted by **HKZ Group** provides assumptions related to the projected payer mix and is the most effective alternative with regard to percentage of total visits provided to Medicaid recipients in Project Year 2.

The following table compares the percentage of total visits provided to Medicare beneficiaries in the second year of operation as projected by each applicant in Section VI.12. of the Application.

Percentage of Total Visits to Medicare Beneficiaries – PY 2

CON Application	Applicant	% of Visits
F-10012-12	J and D Healthcare	89.0%
F-10003-12	Maxim	80.9%
F-10011-12	UniHealth	79.36%
F-10008-12	Emerald Care – Branch Office	77.9%
F-10007-12	Well Care	72.4%
F-10004-12	Healthy @ Home – CMC North Zone Office	72.0%
F-10010-12	Continuum	67.8%
F-10006-12	AssistedCare	67.7%
F-10005-12	HKZ Group	66.8%
F-10001-12	Vizion One	52.98%

J and D Healthcare proposes an agency that is not financially viable, and cannot be used for purposes of comparison with other applications. Please see **HKZ Group's** Comments in Opposition to the J and D Healthcare CON application.

Further, the CON applications submitted by Maxim, UniHealth, Emerald Care, Well Care, Healthy @ Home – CMC, Continuum, and AssistedCare are non-conforming with multiple CON Review Criteria. Please see **HKZ Group's** Comments in Opposition to those CON applications.

For comparison purposes, the ten existing Medicare-certified home health agencies in Mecklenburg County reported an average of **69.4%** total visits provided to Medicare beneficiaries in FY 2011.

The CON application submitted by **HKZ Group** is the most effective alternative with regard to percentage of total visits provided to Medicare beneficiaries in Project Year 2.

The following table compares the percentage of total visits provided to Medicaid recipients and Medicare beneficiaries in the second year of operation as projected by each applicant in Section VI.12 of the Application.

Percentage of Total Visits to Medicaid Recipients and Medicare Beneficiaries – PY 2

CON Application	Applicant	% of Visits
F-10003-12	Maxim	89.6%
F-10012-12	J and D Healthcare	89.0%
F-10011-12	UniHealth	88.56%
F-10004-12	Healthy @ Home – CMC – North Zone Office	88.2%
F-10007-12	Well Care	86.9%
F-10008-12	Emerald Care – Branch Office	85.3%
F-10005-12	HKZ Group	81.7%
F-10010-12	Continuum	76.0%
F-10006-12	AssistedCare	75.9%
F-10001-12	Vizion One	65.9%

The CON applications submitted by Maxim, UniHealth, Emerald Care, Well Care, and Healthy @ Home – CMC are non-conforming with multiple CON Review Criteria. Please see **HKZ Group’s** Comments in Opposition to those CON applications.

Further, J and D Healthcare proposes an agency that is not financially viable, and cannot be used for purposes of comparison with other applications. Please see **HKZ Group’s** Comments in Opposition to the J and D Healthcare CON application.

For comparison purposes, the ten existing Medicare-certified home health agencies in Mecklenburg County reported an average of **79.2%** total visits provided to Medicaid recipients and Medicare beneficiaries in FY 2011.

The CON application submitted by **HKZ Group** is the most effective alternative with regard to percentage of total visits provided to Medicaid recipients and Medicare beneficiaries in Project Year 2.

Average Number of Visits per Unduplicated Patient

The following table shows the average number of visits per unduplicated patient projected by each applicant in the second year of operation of the proposed home health agency.

Average Number of Visits per Unduplicated Patient – PY 2

CON Application	Applicant	Average Number of Visits per Unduplicated Patient
F-10008-12	Emerald Care – Branch Office	26.4
F-10001-12	Vizion One	25.0
F-10005-12	HKZ Group	21.7
F-10011-12	UniHealth	21.0
F-10007-12	Well Care	20.8
F-10003-12	Maxim	18.9
F-10006-12	AssistedCare	17.5
F-10010-12	Continuum	17.4
F-10012-12	J and D Healthcare	16.1
F-10004-12	Healthy @ Home – CMC – North Zone	16.0

The CON applications submitted by Emerald Care and Vizion One are non-conforming with multiple CON Review Criteria. Please see **HKZ Group’s** Comments in Opposition to those CON applications.

The visits per unduplicated patient projected by Emerald Care and Vizion One both exceed the historical range of visits per unduplicated patient provided by Mecklenburg County certified agencies in FY 2011. In FY 2011, that range was from 11.9 visits per unduplicated patient to 23.8 visits per unduplicated patients, as reflected in the 2012 Annual Licensure Renewal Applications submitted by Mecklenburg County home health providers.

The application submitted by **HKZ Group** is the most effective alternative with regard to projected number of visits to be provided per unduplicated patient.

Net Revenue per Visit

Net revenue per visit in the second year of operation was calculated by dividing projected net revenue from Form B by the projected number of visits from Section IV. of the Application, as shown in the following table.

Net Revenue per Visit – PY 2

CON Application	Applicant	Total Visits Patients	Net Revenue	Net Revenue per Visit
F-10012-12	J and D Healthcare	1,482	\$1,664,138	\$1,123
F-10008-12	Emerald Care – Branch Office	12,570	\$9,509,999	\$757
F-10010-12	Continuum	8,556	\$1,610,678	\$188
F-10003-12	Maxim	9,499	\$1,528,574	\$161
F-10007-12	Well Care	11,268	\$1,740,941	\$155
F-10011-12	UniHealth	11,527	\$1,752,640	\$152
F-10006-12	AssistedCare	6,159	\$931,653	\$151
F-10004-12	Healthy @ Home – CMC – North Zone Office	47,780	\$7,008,528	\$147
F-10005-12	HKZ Group	8,578	\$1,224,203	\$143
F-10001-12	Vizion One	8,125	\$1,140,200	\$140

The CON application submitted by Vizion One is non-conforming with multiple CON Review Criteria. Please see **HKZ Group's** Comments in Opposition to that CON application.

HKZ Group projected the second lowest net revenue per visit. **HKZ Group** adequately demonstrated that the financial feasibility of its proposal is based on reasonable and supported projections of operating costs and revenues. Therefore, the CON application submitted by **HKZ Group** is the most effective alternative with regard to net revenue per visit.

Average Total Operating Cost per Visit

The average total operating cost per visit in the second operating year was calculated by dividing projected operating costs from Form B by the total number of home health visits from Section IV. of the Application, as shown in the following table.

Average Total Operating Cost per Visit – PY 2

CON Application	Applicant	Total Patient Visits	Total Operating Costs	Average Total Operating Cost per Visit
F-10012-12	J and D Healthcare	1,482	\$3,116,397	\$2,103
F-10010-12	Continuum	8,556	\$1,299,562	\$152
F-10011-12	UniHealth	11,527	\$1,711,184	\$148
F-10004-12	Healthy @ Home - CMC - North Zone Office -	47,780	\$6,793,650	\$142
F-10005-12	HKZ Group	8,578	\$1,196,680	\$140
F-10006-12	AssistedCare	6,159	\$859,289	\$140
F-10007-12	Well Care	11,268	\$1,494,904	\$133
F-10008-12	Emerald Care - Branch Office	12,570	\$1,658,683	\$132
F-10001-12	Vizion One	8,125	\$1,068,007	\$131
F-10003-12	Maxim	9,499	\$1,175,706	\$124

J and D Healthcare proposes an agency that is not financially viable, and cannot be used for purposes of comparison with other applications. Please see **HKZ Group's** Comments in Opposition to the J and D Healthcare CON application.

Further, the CON applications submitted by Continuum, UniHealth, and Healthy @ Home – CMC are non-conforming with multiple CON Review Criteria. Please see **HKZ Group's** Comments in Opposition to those CON applications.

HKZ Group adequately demonstrated that the financial feasibility of its proposal is based on reasonable and supported projections of operating costs and revenues. Therefore, the CON application submitted by **HKZ Group** is the most effective alternative with regard to average operating cost per visit.

Average Direct Care Cost per Visit

The average direct care cost per visit in the second operating year was calculated by dividing projected direct care expenses from Form B by the total number of home health visits from Section IV. of the Application, as shown in the following table.

Average Direct Care Cost per Visit – PY 2

CON Application	Applicant	Total Patient Visits	Total Direct Care Costs	Average Direct Care Cost per Visit
F-10012-12	J and D Healthcare	1,482	\$2,887,897	\$1,949
F-10010-12	Continuum	8,556	\$966,142	\$113
F-10004-12	Healthy @ Home - CMC – North Zone Office	47,780	\$4,895,971	\$102
F-10011-12	UniHealth	11,527	\$1,043,442	\$91
F-10007-12	Well Care	11,268	\$971,064	\$86
F-10005-12	HKZ Group	8,578	\$734,997	\$86
F-10006-12	AssistedCare	6,159	\$529,668	\$86
F-10008-12	Emerald Care - Branch Office	12,570	\$1,059,192	\$84
F-10003-12	Maxim	9,499	\$783,753	\$83
F-10001-12	Vizion One	8,125	\$564,614	\$69

The CON applications submitted by AssistedCare, Emerald Care, Maxim, and Vizion One are non-conforming with multiple CON Review Criteria. Please see **HKZ Group's** Comments in Opposition to those CON applications.

HKZ Group adequately demonstrated that the financial feasibility of its proposal is based on reasonable and supported projections of operating costs and revenues. Therefore, the CON application submitted by **HKZ Group** is the most effective alternative with regard to average direct care cost per visit.

Average Administrative Cost per Visit

The average administrative cost per visit in the second operating year was calculated by dividing projected administrative expenses from Form B by the total number of home health visits from Section IV.1. of the Application, as shown in the following table.

Average Administrative Cost per Visit – PY 2

CON Application	Applicant	Total Patient Visits	Total Administrative Costs	Average Administrative Cost per Visit
F-10012-12	J and D Healthcare	1,482	\$228,500	\$154
F-10001-12	Vizion One	8,125	\$503,392	\$62
F-10011-12	UniHealth	11,527	\$667,742	\$58
F-10005-12	HKZ Group	8,578	\$461,683	\$54
F-10006-12	AssistedCare	6,159	\$329,621	\$54
F-10008-12	Emerald Care - Branch Office	12,570	\$599,491	\$48
F-10007-12	Well Care	11,268	\$523,840	\$46
F-10003-12	Maxim	9,499	\$391,953	\$41
F-10004-12	Healthy @ Home - CMC - North Zone Office	47,780	\$1,897,679	\$40
F-10010-12	Continuum	8,556	\$333,420	\$39

The CON applications submitted by Emerald Care, Well Care, Maxim, Healthy @ Home – CMC, and Maxim are non-conforming with multiple CON Review Criteria. Please see **HKZ Group's** Comments in Opposition to those CON applications.

HKZ Group adequately demonstrated that the financial feasibility of its proposal is based on reasonable and supported projections of operating costs and revenues. Therefore, the CON application submitted by **HKZ Group** is the most effective alternative with regard to average administrative cost per visit.

Ratio of Net Revenue per Visit to Average Total Operating Cost per Visit

The ratio in the following table is calculated by dividing the net revenue per visit by the average total operating cost per visit.

Ratio of Net Revenue per Visit: Average Total Operating Cost per Visit – PY 2

CON Application	Applicant	Total Patient Visits	Net Revenue per Visit	Average Total Operating Cost per Visit	Ratio of Net Revenue to Average Total Operating Cost per Visit
F-10003-12	Maxim	9,499	\$161	\$124	1.30
F-10010-12	Continuum	8,556	\$188	\$152	1.24
F-10008-12	Emerald Care - Branch Office	12,570	\$154	\$132	1.17
F-10007-12	Well Care	11,268	\$155	\$133	1.16
F-10006-12	AssistedCare	6,159	\$151	\$140	1.08
F-10001-12	Vizion One	8,125	\$140	\$131	1.07
F-10004-12	Healthy @ Home - CMC – North Zone Office	47,780	\$147	\$142	1.04
F-10011-12	UniHealth	11,527	\$152	\$148	1.02
F-10005-12	HKZ Group	8,578	\$143	\$140	1.02
F-10012-12	J and D Healthcare	1,482	\$1,123	\$2,103	0.53

J and D Healthcare proposes an agency that is not financially viable, and cannot be used for purposes of comparison with other applications. Please see **HKZ Group's** Comments in Opposition to the J and D Healthcare CON application.

Further, the CON applications submitted by UniHealth and Healthy @ Home – CMC are non-conforming with multiple CON Review Criteria. Please see **HKZ Group's** Comments in Opposition to those CON applications.

HKZ Group projects the lowest ratio of net revenue to the average total operating cost per visit in the second operating year. The CON application submitted by **HKZ Group** is the most effective alternative with regard to the lowest ratio of net revenue per visit to the average total operating cost per visit.

Number of Owned, Operated, and/or Managed Medicare-certified Home Health Agencies in North Carolina

Experience in the ownership, operation, and/or management of Medicare-certified home health agencies in North Carolina is a key factor in the success of a proposed new agency in Mecklenburg County.

The following table shows number of owned, operated, and/or managed Medicare-certified home health agencies in North Carolina of each applicant.

**Number of Owned, Operated, and/or Managed
Medicare-certified Home Health Agencies in North Carolina**

CON Application	Applicant	Owned	Operated	Managed	Total NC Medicare Home Health
F-10008-12	Emerald Care – Branch Office	12	0	0	12
F-10004-12	Healthy @ Home - CMC - North Zone Office	4	0	0	4
F-10005-12	HKZ Group	3	0	0	3
F-10011-12	UniHealth	2	0	0	2
F-10007-12	Well Care	2	0	0	2
F-10006-12	AssistedCare	1	0	0	1
F-10010-12	Continuum	1	0	0	1
F-10003-12	Maxim	0	0	0	0
F-10001-12	Vizion One	0	0	0	0
F-10012-12	J and D Healthcare	0	0	0	0

The CON applications submitted by Emerald Care and Healthy @ Home – CMC are non-conforming with multiple CON Review Criteria. Please see **HKZ Group’s** Comments in Opposition to those CON applications.

HKZ Group’s sister agency, HealthKeeperz, Inc., owns three Medicare-certified home health agencies in North Carolina, which is the third largest number of all ten applicants. In addition, HealthKeeperz, Inc. existing service area is contiguous to Mecklenburg County. Thus, the CON application submitted by **HKZ Group** is the most effective alternative with regard to experience.

Letters of Support for Application

Mecklenburg County Acute Care Hospitals

Generally, hospitals make 50% of all referrals to Medicare-certified home health agencies.

As shown in the following table, only **HKZ Group** has two letters of support from a Mecklenburg County acute care hospital and a Mecklenburg County health care system.

Letter of Support from Mecklenburg County Acute Care Hospital(s)

CON Application	Applicant	Carolinas Healthcare System	Presbyterian Healthcare	Presbyterian Hospital Matthews
F-10005-12	HKZ Group	N	Y	Y
F-10004-12	Healthy @ Home – CMC – North Zone Office	Y	N	N
F-10006-12	AssistedCare	N	N	N
F-10010-12	Continuum	N	N	N
F-10008-12	Emerald Care – Branch Office	N	N	N
F-10012-12	J and D Healthcare	N	N	N
F-10003-12	Maxim	N	N	N
F-10011-12	UniHealth	N	N	N
F-10001-12	Vizion One	N	N	N
F-10007-12	Well Care	N	N	N

As shown in the previous table, only Healthy @ Home - CMC, which is owned by Carolinas Healthcare System, has a letter from Carolinas Healthcare System.

There are nine non-hospital owned applicants. Only **HKZ Group** has a letter from a Mecklenburg County acute care hospital and a hospital system.

Acute Care Hospitals in Counties Served by Related Entity of Applicant

As shown in the following table, **HKZ Group** has letters of support from two acute care hospitals in counties served by its related entity, HealthKeeperz, Inc., which owns three Medicare-certified home health agencies in Cumberland, Robeson, and Scotland counties.

**Letter of Support from Acute Care Hospital(s) in Counties Served by
Related Entity of Applicant**

CON Application	Applicant	CFVMC	Southeastern Regional	Other Hospital
F-10005-12	HKZ Group	Y	Y	N
F-10006-12	AssistedCare	N	N	N
F-10010-12	Continuum	N	N	N
F-10008-12	Emerald Care – Branch Office	N	N	N
F-10004-12	Healthy @ Home – CMC - North Zone Office	N	N	Y
F-10012-12	J and D Healthcare	N	N	N
F-10003-12	Maxim	N	N	N
F-10011-12	UniHealth	N	N	N
F-10001-12	Vizion One	N	N	N
F-10007-12	Well Care	N	N	N

None of the nine applicants has a letter from an acute care hospital in a county served by a related entity of the applicant.

Unique Services Proposed by Applicants

Each applicant’s response to Section II., Question 2. is summarized in the following table.

Unique Services Proposed by Applicants

CON Application	Applicant	How will agency differ from existing services in service area?
F-10005-12	HKZ Group	HealthSync Pharmacy Program, North Carolina's only Native American-owned multi-disciplinary post acute community health system focusing on home health agency services; Veterans Administration
F-10006-12	AssistedCare	SHP to manage patient outcomes; CareAnyware electronic medical record; ability to combine behavioral health care with home health patients; pilot site for research study conducted by Martha Bruce, PhD, to train home health staff to provide behavioral health services; CCNC
F-10010-12	Continuum	No specific programs discussed - generic response about being a new provider with "fresh approach"
F-10008-12	Emerald Care – Branch Office	Home health psychiatric program supported by disease management program
F-10004-12	Healthy @ Home – CMC - North Zone	Part of a vertically-integrated health care system, substantial portion of patients are pediatric, operates an award-winning neonatal program, telemonitoring program for cardiac patients, Better Balance Fall Prevention Program, upcoming Diabetes Management program
F-10012-12	J and D Healthcare	Agency will be Medicare-certified, while existing agency is not Medicare-certified (it is a home care agency)
F-10003-12	Maxim	No specific programs discussed - generic response about experience, quality, clinical services delivery, patient-centered care, quality improvement, technology, accreditation, employee engagement and corporate support, Maxim Charitable Foundation provides financial assistance to employees in personal crisis
F-10011-12	UniHealth	No specific programs discussed
F-10001-12	Vizion One	Will provide all 6 core services along with specialized clinical services (cardiac, diabetes, rehab, pain therapy, TPN, HIV/AIDs, Alzheimer's/Dementia, wound care, telehealth)
F-10007-12	Well Care	No specific programs discussed - generic response about a new provider

HealthSync Pharmacy Program

HealthSync Pharmacy Program was developed by HealthKeeperz, Inc. in 2009 based on its recognition of a growing problem among its home health patients known as Polypharmacy, the concurrent use of multiple prescription or over-the-counter medications by a single patient.

HealthSync Pharmacy Program is a coordination of care program under which patients transitioning from an acute care hospital are connected to pharmacists affiliated with HealthKeeperz, Inc. who will review and synchronize each patient's medication to be delivered on one day each month, eliminating multiple trips to a retail pharmacy. In addition to the free delivery, each patient receives:

- A HealthKeeperz PocketCard containing emergency and physician contacts, current prescription information, and known allergies. This card is compact to fit in each patient's wallet and carry with him/her in the event of an emergency.
- Healthy Choices Program allowing each patient to choose a FREE item with his/her monthly delivery. Free items, such as rubbing alcohol, band-aids, vitamins, and more are HealthKeeperz way of helping patients to stay a little healthier and saying thank you.
- HealthSync Medication Report, a summary of a patient's current medications and prescription history will be sent to each patient's doctor every three months or sooner upon request to assist him/her in his/her efforts to stay current and provide each patient with the best care possible.

HealthSync pharmacists and technicians have documented that patients who participate in the HealthSync Pharmacy Program are more compliant with their drug regimen, have greater communication with their physicians regarding medications prescribed, and are more likely to report adverse reactions and other issues encountered with drugs prescribed. In instances where a patient has experienced an adverse reaction or other issue, HealthSync pharmacists and technicians will follow up with that patient's physician. Physicians whose patients participate in the HealthSync Pharmacy Program have expressed their satisfaction with the Program, and often contact HealthSync pharmacists and technicians about patient compliance with prescriptions.

The HealthSync Pharmacy Program has been operational for three years, and focuses on the co-morbid patient in order to decrease hospital re-admission. During the last several months, HealthKeeperz, Inc. tracked hospital inpatient admissions for patients participating in the HealthSync Pharmacy Program. From February through May 2012, less than 3% of all HealthSync patients have been hospitalized as reflected in the following table.

HealthSync Patients Admitted to Hospital

	February	March	April	May	Total (4 mo)
#HealthSync Patients	260	262	265	265	1,052
# Patient Hospitalized	8	10	3	8	29
Percent Hospitalized	3.08%	3.82%	1.13%	3.02%	2.76%

Source: CON Application F-10005-12, page 16

While the previous table reflects all payors, patients in the HealthSync Pharmacy Program are predominantly Medicare beneficiaries. Hospital re-admissions for the Medicare population in North Carolina exceeds 18%; nationally, it exceeds 19%⁹.

HealthKeeperz, Inc. has a physician who serves in an advisory role for its three existing agencies. That physician will serve in an advisory role for **HKZ Group**. The Management Service Agreement between **HKZ Group** and HealthKeeperz, Inc. includes compensation for the services of that physician.

Veterans Administration

North Carolina has about 766,000 veterans.¹⁰ The Salisbury VA Medical Center in Rowan County provides inpatient services to veterans in Mecklenburg and surrounding counties. In addition, the Charlotte Community Based Outpatient Clinic provides care to the over 50,000 veterans in Mecklenburg County¹¹. HealthKeeperz, Inc. works with the Veterans Administration Medical Center in Fayetteville to meet the home health care needs of veterans in southeastern North Carolina. **HKZ Group** intends to pursue a similar arrangement with the Veterans Administration services in Mecklenburg County and the Salisbury VA Medical Center to provide home health care services to veterans who are residents of the defined service area. **HKZ Group** will provide the services that each veteran needs, based on a service plan that each veteran, his/her family, and his/her VA health care provider develop.

In FY 2011, only one Medicare-certified home health agency in Mecklenburg County reported serving Veteran Administration patients, as shown in the following table.

**Mecklenburg Medicare-certified Home Health Agencies
Veteran Administration Clients as % of Total Clients
October 1, 2010 – September 30, 2011**

Agency	Payment Source	# Clients	% of Total Clients*
Home Health Professionals	VA	67	11.0%

CON Application F-10005-12, page 18

*Mecklenburg County Medicare-certified home health agencies reported serving a total of 16,165 clients in FY 2011 (page 4 of the Source: 2012 Home Health Agency Annual Data Supplement to License Application)

As shown in the previous table, **HKZ Group's** proposed service to Veteran Administration patients does not duplicate services in Mecklenburg County.

⁹ Kaiser Health Facts <http://www.statehealthfacts.org/profileind.jsp?cat=6&sub=80&rgn=35>

¹⁰ <http://www.newsobserver.com/2012/06/17/2143293/2-new-veterans-homes-to-open.html>

¹¹ http://www.va.gov/vetdata/Veteran_Population.asp

Services to “Other Underserved Population” Proposed by Applicants

Basic Assumption 8. of the Medicare-certified Home Health Need Methodology reads as follows:

8. The North Carolina State Health Coordinating Council encourages home health applicants to:
 - [...]
 - d. address special needs populations.

Each applicant’s response to Section VI., Question 3(g). is summarized in the following table.

Availability of Proposed Home Health to “Other Underserved Populations”

CON Application	Applicant	Availability of Existing and Proposed Home Health to “Other Underserved Population”
F-10005-12	HKZ Group	Native American population
F-10004-12	Healthy @ Home – CMC -North Zone Office	Pediatric population to include neonatal/premature babies
F-10006-12	AssistedCare	No specific population identified
F-10010-12	Continuum	No specific population identified
F-10008-12	Emerald Care – Branch Office	No specific population identified
F-10012-12	J and D Healthcare	No specific population identified
F-10003-12	Maxim	No specific population identified
F-10011-12	UniHealth	No specific population identified
F-10001-12	Vizion One	No specific population identified
F-10007-12	Well Care	No specific population identified

As shown in the previous table, **HKZ Group** is one of two applicants to identify an “underserved population” to which it will provide Medicare-certified home health services. Healthy @ Home is an existing Mecklenburg County agency providing services to a pediatric population that includes neonatal and premature babies.

HealthKeeperz, Inc. is North Carolina’s only Native American-owned multi-disciplinary post acute community health system focusing on home health agency services. With three existing locations, HealthKeeperz, Inc. is experienced in dealing with the health disparities and cultural differences of minority populations. **HKZ Group** also will be a Native American-owned home health agency, and will utilize the experience of HealthKeeperz, Inc. to address Native American and other minority populations in Mecklenburg County.

According to the 2008 US Census, North Carolina has the largest American Indian population east of the Mississippi River and the sixth largest American Indian population in the nation.

According to a report published in July 2010 by the North Carolina Commission of Indian Affairs found that American Indians in North Carolina experience substantially worse health problems than whites. For many health measures, American Indians experience problems similar to those for African Americans in this state. The July 2010 Report made the following findings:

- American Indian death rates were at least twice that of whites for diabetes, HIV disease, motor vehicle injuries, and homicide.
- American Indians were more likely than whites or African Americans to report that they had no health insurance and that they could not see a doctor due to cost.
- American Indians were significantly more likely than whites to smoke, not engage in leisure-time physical exercise, and to be overweight or obese.

The North Carolina American Indian Health Task Force was created in 2004 by the North Carolina Commission of Indian Affairs and the Secretary of the North Carolina Department of Health and Human Services. The purpose of the Task Force was to identify and study American Indian health issues in North Carolina, and to evaluate and strengthen programs and services for American Indians in the state.

HKZ Group is committed to providing home health services to American Indians and other minority populations in Mecklenburg and surrounding counties. Thus, the CON application submitted by **HKZ Group** is the most effective alternative with regard to special needs populations.

Registered Nurse, Home Health Aide, and Licensed Practical Nurse Salaries in Project Year 2

Salaries are a significant contributing factor in recruitment and retention of staff. The following three tables compare the proposed annual salary for registered nurses, home health aides, and licensed practical nurses in the second operating year.

Emerald Care projects the highest annual salary for a registered nurse, as shown in the following table.

Annual Salary for Registered Nurse – PY 2

CON Application	Applicant	Annual Salary
F-10008-12	Emerald Care – Branch Office	\$73,987
F-10003-12	Maxim	\$72,774
F-10011-12	UniHealth	\$72,420
F-10006-12	AssistedCare	\$71,070
F-10007-12	Well Care	\$70,967
F-10005-12	HKZ Group	\$70,627
F-10010-12	Continuum	\$65,938
F-10004-12	Healthy @ Home – CMC -North Zone Office	\$64,951
F-10001-12	Vizion One	\$64,067
F-10012-12	J and D Healthcare	\$43,784

As shown in the previous table, **HKZ Group** projects an annual salary for a registered nurse that is less than 5% lower than Emerald Care.

Maxim projects the highest annual salary for a home health aide, as shown in the following table.

Annual Salary for Home Health Aide – PY 2

CON Application	Applicant	Annual Salary
F-10003-12	Maxim	\$33,313
F-10011-12	UniHealth	\$32,895
F-10008-12	Emerald Care – Branch Office	\$32,493
F-10007-12	Well Care	\$32,188
F-10005-12	HKZ Group	\$30,810
F-10004-12	Healthy @ Home – CMC -North Zone Office	\$30,363
F-10006-12	AssistedCare	\$29,870
F-10010-12	Continuum	\$21,532
F-10012-12	J and D Healthcare	\$20,828
F-10001-12	Vizion One	\$20,659

HKZ Group projects the highest annual salary for a licensed practical nurse, as shown in the following table.

Annual Salary for Licensed Practice Nurse – PY 2

CON Application	Applicant	Annual Salary
F-10005-12	HKZ Group	\$48,269
F-10006-12	AssistedCare	\$45,423
F-10010-12	Continuum	\$43,627
F-10008-12	Emerald Care – Branch Office	\$40,035
F-10012-12	J and D Healthcare	\$39,574
F-10004-12	Healthy @ Home – CMC – North Zone Office	\$36,838
F-10003-12	Maxim	LPN not included in staffing plan
F-10011-12	UniHealth	LPN not included in staffing plan
F-10001-12	Vizion One	LPN not included in staffing plan
F-10007-12	Well Care	LPN not included in staffing plan

Physical Therapist, Occupational Therapist, and Speech Therapist Salaries in Project Year 2

Salaries are a significant contributing factor in recruitment and retention of staff. The following three tables compare the proposed annual salary for physical therapists, occupational therapists, and speech therapists in the second operating year.

Physical therapy drives the profitability of a Medicare-certified home health agency. **HKZ Group** projects the highest annual salary for a physical therapist among the applicants that will employ a physical therapist, as shown in the following table.

Annual Salary for Physical Therapist – PY 2

CON Application	Applicant	Annual Salary
F-10005-12	HKZ Group	\$102,700
F-10008-12	Emerald Care – Branch Office	\$94,585
F-10004-12	Healthy @ Home – CMC -North Zone Office	\$84,445
F-10010-12	Continuum	\$84,144
F-10006-12	AssistedCare	\$83,945
F-10007-12	WellCare	\$83,430
F-10003-12	Maxim	\$80,353
F-10001-12	Vizion One	\$79,310
F-10012-12	J and D Healthcare	\$43,739

Emerald Care projects the highest annual salary for an occupational therapist among the eight applicants that will employ an occupational therapist, as shown in the following table.

Annual Salary for Occupational Therapist – PY 2

CON Application	Applicant	Annual Salary
F-10008-12	Emerald Care – Branch Office	\$83,785
F-10007-12	WellCare	\$83,430
F-10001-12	Vizion One	\$80,718
F-10006-12	AssistedCare	\$79,001
F-10010-12	Continuum	\$78,663
F-10003-12	Maxim	\$73,856
F-10004-12	Healthy @ Home – CMC -North Zone Office	\$72,196
F-10012-12	J and D Healthcare	\$43,722

Emerald Care projects the highest annual salary for a speech therapist among the eight applicants that will employ a speech therapist, as shown in the following table.

Annual Salary for Speech Therapist – PY 2

CON Application	Applicant	Annual Salary
F-10008-12	Emerald Care – Branch Office	\$112,828
F-10004-12	Healthy @ Home – CMC -North Zone Office	\$86,677
F-10003-12	Maxim	\$78,014
F-10006-12	AssistedCare	\$77,765
F-10007-12	WellCare	\$77,250
F-10010-12	Continuum	\$74,551
F-10001-12	Vizion One	\$70,740
F-10012-12	J and D Healthcare	\$43,722

Financial Proforma Comparison Project Year 2

The following tables compare the 10 applications on basic financial measures. Values highlighted in yellow represent the two projects at the high end of each comparative metric and values highlighted in blue represent the two projects at the low end of each comparative metric. As reflected in the following tables, **HKZ Group** is based upon reasonable assumptions in the middle of the range for each metric. They only metrics in which **HKZ Group** is highlighted are lowest revenue per patient visit, lowest net gain, and highest total cost as a percent of revenue.

Financial Proforma
Comparative Analysis

	Project Year 2											F-10012-12 J and D
	F-10001-12	F-10003-12	F-10004-12	F-10005-12	F-10006-12	F-10007-12	F-10008-12	F-10010-12	F-10011-12	F-10012-12	F-10012-12	
	Vizion	Maxim	CMC - North	HKZ	Assisted	Well Care	Emerald	Continuum	UniHealth			
Unduplicated Patients	325	503	2,993	395	352	542	476	492	549		92	
Total Patient Visits	8,125	9,499	47,780	8,578	6,159	11,268	12,570	8,556	11,527		1,482	
Visit per Patient	25.0	18.9	16.0	21.7	17.5	20.8	26.4	17.4	21.0		16.1	
Net Revenue	\$ 1,140,200	\$ 1,528,574	\$ 7,008,529	\$ 1,224,203	\$ 931,653	\$ 1,740,941	\$ 1,937,522	\$ 1,610,678	\$ 1,752,640		\$ 1,664,138	
Net Revenue per Patient	\$ 3,508.31	\$ 3,038.91	\$ 2,341.64	\$ 3,099.25	\$ 2,646.74	\$ 3,212.07	\$ 4,070.42	\$ 3,273.74	\$ 3,192.42		\$ 18,088.46	
Net Revenue per Visit	\$ 140.33	\$ 160.92	\$ 146.68	\$ 142.71	\$ 151.27	\$ 154.50	\$ 154.14	\$ 188.25	\$ 152.05		\$ 1,122.90	
Direct Cost	\$ 564,614	\$ 783,753	\$ 4,895,971	\$ 734,997	\$ 529,668	\$ 971,065	\$ 1,059,192	\$ 966,142	\$ 1,043,442		\$ 2,887,897	
Direct Cost Per Patient	\$ 1,737.27	\$ 1,558.16	\$ 1,635.81	\$ 1,860.75	\$ 1,504.74	\$ 1,791.63	\$ 2,225.19	\$ 1,963.70	\$ 1,900.62		\$ 31,390.18	
Direct Cost Per Visit	\$ 69.49	\$ 82.51	\$ 102.47	\$ 85.68	\$ 86.00	\$ 86.18	\$ 84.26	\$ 112.92	\$ 90.52		\$ 1,948.65	
Direct Cost % Total Cost	53%	67%	72%	61.4%	62%	65%	64%	74%	61.0%		93%	
Administrative Cost	\$ 503,393	\$ 391,953	\$ 1,897,679	\$ 461,683	\$ 329,621	\$ 523,840	\$ 599,491	\$ 333,420	\$ 667,742		\$ 228,500	
Adm Cost Per Patient	\$ 1,548.90	\$ 779.23	\$ 634.04	\$ 1,168.82	\$ 936.42	\$ 966.49	\$ 1,259.43	\$ 677.68	\$ 1,216.29		\$ 2,483.70	
Adm Cost Per Visit	\$ 61.96	\$ 41.26	\$ 39.72	\$ 53.82	\$ 53.52	\$ 46.49	\$ 47.69	\$ 38.97	\$ 57.93		\$ 154.18	
Admin Cost % Total Cost	47%	33%	28%	38.6%	38.4%	35%	36%	26%	39.0%		7%	
Total Cost	\$ 1,068,007	\$ 1,175,706	\$ 6,793,650	\$ 1,196,680	\$ 859,289	\$ 1,494,905	\$ 1,658,683	\$ 1,299,562	\$ 1,711,184		\$ 3,116,397	
Total Cost Per Patient	\$ 3,286.18	\$ 2,337.39	\$ 2,269.85	\$ 3,029.57	\$ 2,441.16	\$ 2,758.13	\$ 3,484.63	\$ 2,641.39	\$ 3,116.91		\$ 33,873.88	
Total Cost Per Visit	\$ 131.45	\$ 123.77	\$ 142.19	\$ 139.51	\$ 139.52	\$ 132.67	\$ 131.96	\$ 151.89	\$ 148.45		\$ 2,102.83	
Total Cost % Net Revenue	94%	77%	97%	97.8%	92%	86%	86%	81%	97.6%		187%	
Gain (Loss)	\$ 72,193	\$ 352,868	\$ 214,879	\$ 27,523	\$ 72,364	\$ 246,036	\$ 278,839	\$ 311,116	\$ 41,456		\$ (1,452,259)	
Gain (Loss) Per Patient	\$ 222.13	\$ 701.53	\$ 71.79	\$ 69.68	\$ 205.58	\$ 453.94	\$ 585.80	\$ 632.35	\$ 75.51		\$ (15,785.42)	
Gain (Loss) Per Visit	\$ 8.89	\$ 37.15	\$ 4.50	\$ 3.21	\$ 11.75	\$ 21.83	\$ 22.18	\$ 36.36	\$ 3.60		\$ (979.93)	
Gain (Loss) % Revenue	6.3%	23.1%	3.1%	2.2%	7.8%	14.1%	14.4%	19.3%	2.4%		-87.3%	

Notes:

Blue shaded cells indicate two lowest of the applicants for a particular metric of comparison
 Yellow shaded cells indicate the two highest of the applicants for a particular metric of comparison
 J and D Healthcare was not included for purposes of comparison with the other applicants because the project is not financially feasible.
 Visits and unduplicated patients are not adjusted for any of the discrepancies and other issues identified in the individual Comments in Opposition submitted by HKZ Group